2024 ECONOMIC FORECAST

LAEDC

Addressing Lingering Challenges and Positioning for Opportunity

Los Angeles County Economic Development Corporation | Institute for Applied Economics

This report was produced by the LAEDC Institute for Applied Economics.

The LAEDC Institute for Applied Economics specializes in objective and unbiased economic and policy research in order to foster informed decision-making and guide strategic planning. In addition to commissioned research and analysis, the Institute conducts foundational research to ensure LAEDC's many programs for economic development are on target. The Institute focuses on economic impact studies, regional industry and cluster analysis and issue studies, particularly in workforce development and labor market analysis.

Every reasonable effort has been made to ensure that the data contained herein reflect the most accurate and timely information possible and they are believed to be reliable.

This report is provided solely for informational purposes and is not to be construed as providing endorsements, representations, or warranties of any kind whatsoever.

LOS ANGELES COUNTY
ECONOMIC DEVELOPMENT CORPORATION
Collectively Advancing Opportunity and Prosperity for All

INSTITUTE FOR APPLIED ECONOMICS
633 West 5th Street, Suite 3300
Los Angeles, CA 90071

FOREWORD

As Los Angeles County's principal economic development leadership organization, the Los Angeles County Economic Development Corporation (LAEDC) produces an annual forecast to assess and predict key national, state, regional, and local economic indicators. The forecast also looks deep beneath those "headline" indicators to understand the key issues, pressing economic concerns, and longer-term trends that drive them. The forecast provides insights to inform policymakers' decisions and business and community leaders across the Los Angeles region and California.

Having moved beyond the economic dislocations of the COVID-19 pandemic and the high-inflation environment of 2022 and 2023, Los Angeles County today finds that the past is prologue. As 2024 opens, we find that the large, systemic challenges that the region faced prior to 2020—from high housing costs to stressed transportation infrastructure to a slowing (now declining) population—are reemerging to take center stage.

The region can address these challenges head-on, but it will have to do so in an environment of slower economic growth. While we believe that the nation and the Los Angeles region will avoid a recession during the next two years, higher interest rates will continue to weigh down the economy for some time. That said, the Los Angeles economy is robust and resilient. How we decide to address our challenges and position ourselves to take advantage of emerging opportunities will shape the prosperity and quality of life for our diverse communities for years to come.

Sincerely,

LAEDC Institute for Applied Economics

1. SETTING THE STAGE

Like much of the world, the Los Angeles region has witnessed a tumultuous few years. After an extended period of strong and steady economic growth through the late 2010s, Los Angeles was hit with the COVID-19 pandemic in 2020 and the sharp economic dislocations that ensued. Los Angeles County saw a 5.0 percent contraction in real gross county product (GCP) and severe job losses, with total employment falling by 8.6 percent. It saw an exodus of workers from the urban core, tourism grind to a halt, and extended shortages of goods from supply chain disruptions.

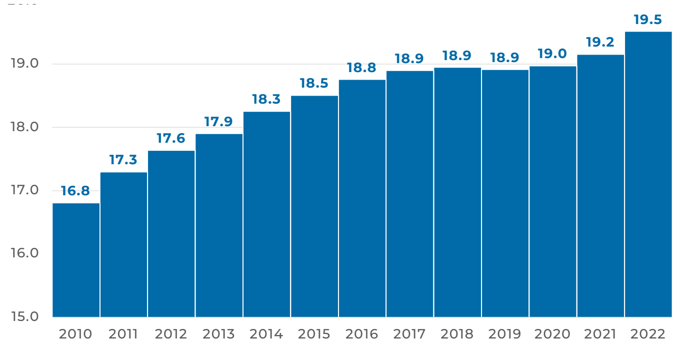
Los Angeles was on the path to economic recovery in 2021 and 2022 when it faced a new scourge: inflation. In response to the pandemic, the federal government injected roughly $5 trillion into the national economy through assistance to families, businesses, states and other programmatic spending.[1] This massive fiscal stimulus, ongoing supply chain difficulties, and the Russian invasion of Ukraine drove inflation to levels not seen since the early 1980s. While Angelenos did receive a share of this federal assistance, they also encountered much higher prices for everyday goods and services. Moreover, as the Federal Reserve rapidly hiked interest rates to slow the economy and rein in inflation, the region also experienced higher costs for mortgages, automobile loans, credit cards and business loans.

The Los Angeles region weathered these storms. By the end of 2022, the Los Angeles economy had recovered the number of jobs lost during the pandemic.[2] Moreover, inflation had subsided by the end of 2023, and the Federal Reserve had paused its rate hikes, easing fears that the country would tip into recession.

However, Los Angeles did not emerge unscathed. Income inequality, as measured by the ratio of the mean income for the top 20 percent of earners over the mean income for the bottom 20 percent of earners, continued to widen in Los Angeles County after seeing some positive progress prior to the pandemic (**Figure 1-1**).

FIGURE 1-1

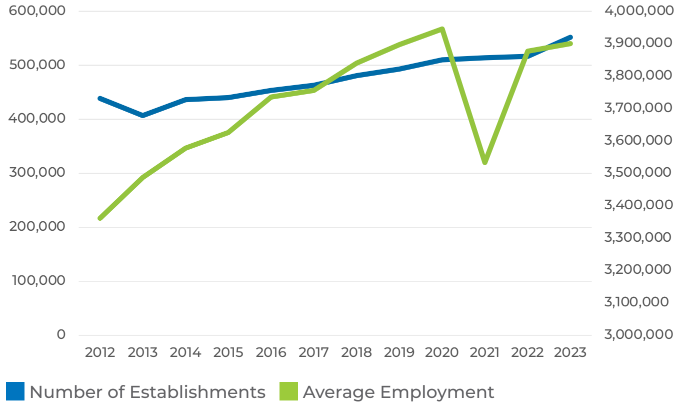
Income Inequality in Los Angeles County



Source: U.S. Census Bureau

FIGURE 1-2

Establishments and Employees in Los Angeles County



Source: CA EDD

Additionally, there were fewer employees in the County by the middle of 2023 than in the middle of 2022, and the number of business establishments appears to have flat-lined (**Figure 1-2**). By one measure, Los Angeles County is nearly 200,000 jobs below where it should be based on pre-pandemic trends.[3]

1 Parlaplano, A. Solomon, D.B. Ngo, M. & Cowley, S. (2022, March 11). Where $5 trillion in pandemic stimulus money went. *New York Times*. https://www.nytimes.com/interactive/2022/03/11/us/how-covid-stimulus-money-was-spent.html
2 These jobs might have been in different industries than prior to the pandemic, however.
3 Lansner, J. (2024, January 23). California suffers largest job-growth drop in US. Orange County Register. https://www.ocregister.com/2024/01/23/california-suffers-largest-job-growth-drop-in-us/

In early 2024, this is the situation in which Los Angeles finds itself. As the COVID-19 pandemic and inflation fade into the distance, old and persistent challenges are reemerging to take center stage. How the Los Angeles region collectively addresses these challenges—and positions itself to take advantage of the opportunities that arise from these challenges—will shape the trajectory, equity and resilience of the regional economy into the future.

The challenges that Los Angeles faces are numerous and intertwined and all cannot be addressed in these pages. Three primary challenges stand out, though, namely regional population decline, housing affordability, and the cost of doing business.

How the Los Angeles region collectively addresses its challenges—and positions itself to take advantage of the opportunities that arise from them—will shape the trajectory, equity and resilience of the regional economy into the future.

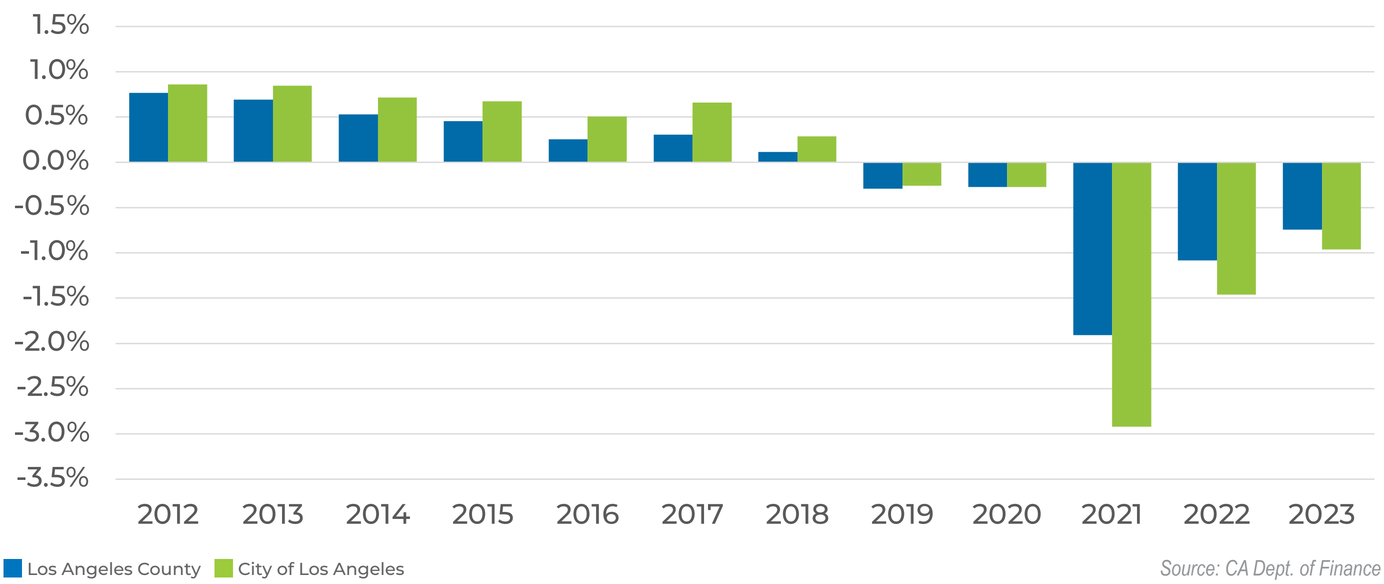
Regional Population Decline

Projections show that the Los Angeles region is expected to lose population over the foreseeable future. Both the City and County of Los Angeles began experiencing negative growth rates in 2019, but this decline was part of a general trend of slowing growth that has been ongoing for years (**Figure 1-3**). These losses were accelerated by the COVID-19 pandemic and the shift to remote work that occurred during that time.

While the rate of population decline eased somewhat during 2022 and 2023, the losses are not expected to reverse. The California Department of Finance, which develops demographic estimates for counties in California, projects that by 2034—just ten years from now—Los Angeles County will fall below 9.5 million residents, down from its high of 10.2 million in 2018.[4]

FIGURE 1-3

Year-over-year Percent Change in Population County of Los Angeles and City of Los Angeles



Source: CA Dept. of Finance

4 California Department of Finance. (2023, July). Total Estimated and Projected Population for California and Counties: July 1, 2020 to 2060. Report P-2A.

FIGURE 1-4

Population Loss Between 2018 and 2023

	2018	2023	% Change
Los Angeles County	10,192,593	9,761,210	-4.2%
City of Los Angeles	3,996,298	3,766,109	-5.8%
City of San Diego	1,416,956	1,368,395	-3.4%
City/County of San Francisco	885,716	831,703	-6.1%
City of San Jose	1,045,854	959,256	-8.3%

Source: CA Dept. of Finance

Population decline is not just a Los Angeles phenomenon. The largest cities across California have seen population losses since 2018, ranging from -3.4 percent in San Diego to -8.3 percent in San Jose (**Figure 1-4**). U-Haul recently noted in its U-Haul Growth Index that across all 50 states, California saw the largest net loss of one-way movers for the fourth year in a row.[5]

However, there are dire implications for the health of the Los Angeles economy unless this regional population decline is checked. A population loss suggests a smaller regional labor force, which is illustrated by projections from S&P Global Market Intelligence (**Figure 1-5**). It also suggests fewer high-income earners and, as a result, a loss of entrepreneurialism, investment dollars and tax revenue. Of particular note is that in 2021 and 2022, California experienced a net loss of 75,000 college graduates, which has not happened before.[6] The potential end result of population decline, then, is stagnating economic growth.

The potential end result of population decline, then, is stagnating economic growth.

This result can quickly lead to a downward spiral: a smaller consumer base leads to reduced demand and lower tax revenues; the tax revenues that are generated are no longer sufficient to cover the expense of government services; and the government raises taxes in response, further incentivizing residents to leave and stifling economic growth as well.

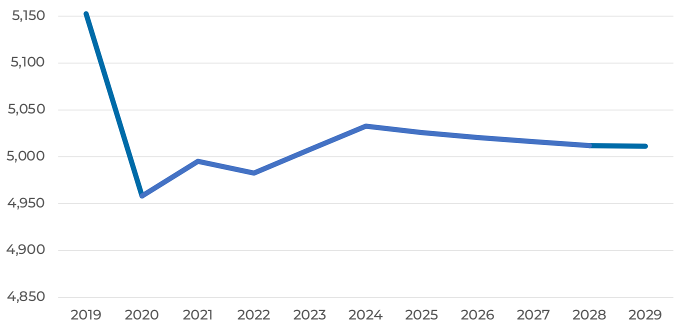
In general, the factors behind regional population decline are many, ranging from the high cost of housing to demographic birth and death trends to high regulations and taxes to reduced immigration. Through increased capital investment and innovation, though, the Los Angeles region could spur economic growth even with a declining population.

Through increased capital investment and innovation, though, the Los Angeles region could spur economic growth even with a declining population.

An example of such investment and innovation is the State of California's decision to spend $200 million to help UCLA acquire the former Westside Pavilion shopping mall in West Los Angeles to house the UCLA Research Park, including the California Institute for Immunology and Immunotherapy (CIII) and UCLA's

FIGURE 1-5

Los Angeles County Labor Force (in Thousands)



Source: S&P Global Market Intelligence

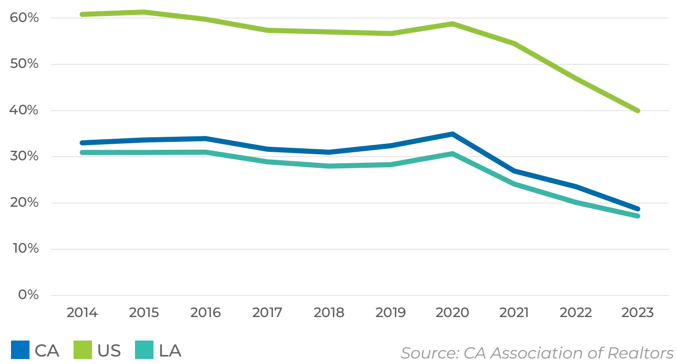
5 https://www.uhaul.com/Articles/About/U-Haul-Announces-Top-Growth-States-Of-2023-30660/
6 Lee, D. (2023, December 19). The wealthiest Californians are fleeing the state. Why that's very bad news for the economy. *Los Angeles Times*. https://www.latimes.com/business/story/2023-12-19/the-wealthiest-californians-are-fleeing-the-state-why-thats-very-bad-news-for-the-economy

Center for Quantum Science and Engineering. The State also intends to invest another $300 million to establish and fund the CIII.[7] These centers and the possibility for breakthrough discoveries have the potential to enhance the local and state economies into the future.

Therein lies the opportunity to reverse the current situation. Through policies and other actions that reduce the cost of living and increase the quality of life in the region, policymakers could create the conditions necessary to attract more local investment and entrepreneurial activity.[8] Moreover, in the process, they could even convince more residents to stay.

FIGURE 1-6

Housing Affordability by Quarter



Source: CA Association of Realtors

Housing Affordability

Housing affordability is a significant challenge in the Los Angeles region. Data from the California Association of Realtors (CAR) show that as of the third quarter of 2023, only 11 percent of households in Los Angeles County can afford to purchase a median-priced, single-family home here. This is down from 31 percent just 10 years earlier (**Figure 1-6**).[9] While California and the nation saw similar downward trends over that time, they still fared better than Los Angeles. Currently, 15 percent and 34 percent of households can afford a median-priced, single-family home in California and nationally, respectively.

This lack of affordability hits Black and Latino communities particularly hard. In 2022, CAR statistics showed that while 17 percent of all households could afford a median-priced home in Los Angeles County, only 9 percent of Black and 10 percent of Latino households could. For Non-Hispanic White and Asian households, the numbers were higher at 25 percent and 22 percent, respectively.

Renters are not immune from these effects either. The latest numbers from the U.S. Census Bureau indicate that a majority of renters in Los Angeles County (55.3 percent) are rent-burdened, meaning they pay more than 30 percent of their household income in rent and nearly 30 percent are severely rent-burdened, paying more than 50 percent of their household income.

Housing affordability also contributes to the severe homelessness situation in the Los Angeles region. Los Angeles County in 2023 saw an estimated 75,518 people experience homelessness on any given night, a 9 percent increase compared to 2022, and the City of Los Angeles saw an estimated 46,260 people experiencing homelessness, a 10 percent increase.[10] According to a recent PPIC survey, 75 percent of Los Angeles residents say that housing affordability is a big problem in the region, while 74 percent of area residents say homelessness is a big problem.[11]

The worsening housing affordability has been caused primarily by persistently increasing housing prices in the region. The median listing price has been generally moving upward over the past five years in Los Angeles County, but it spiked in 2023, jumping by more than $200,000 from January to May (**Figure 1-7**). The median listing price subsided towards the latter half of that year but remained above $1 million.

7 https://newsroom.ucla.edu/releases/ucla-to-transform-empty-mall-into-research-park

8 Other actions include, for example, resisting calls to impose wealth taxes on residents as a means of raising more tax revenue. It is highly likely that wealth taxes would be counterproductive by incentivizing more wealthy Angelenos to flee the region or state and, due to the progressive tax structure, this would have a profound negative impact on tax revenues.

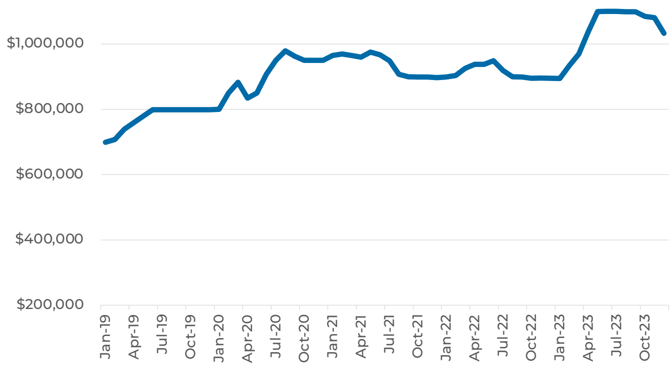
9 The median house price of $897,610 in the third quarter of 2023 required a minimum qualifying income of $235,200.

10 https://www.lahsa.org/news?article=927-lahsa-releases-results-of-2023-greater-los-angeles-homeless-count

11 https://www.ppic.org/press-release/the-economy-and-homelessness-are-top-issues-for-californians/

FIGURE 1-7

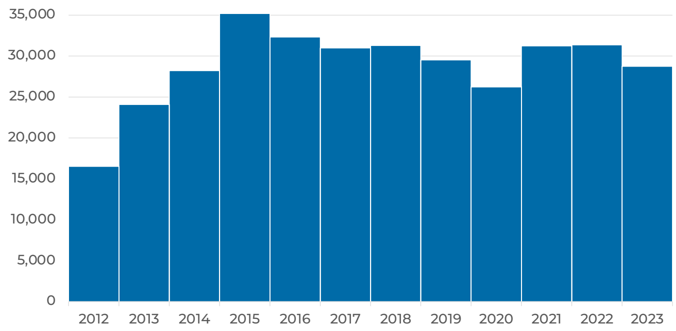
Median House Price in Los Angeles County



Source: Realtor.com

FIGURE 1-8

Building Permits for Private Housing Units, Los Angeles-Long Beach-Anaheim MSA



Source: U.S. Census Bureau

Continued high housing prices imperil the quality of life of area residents. Paying more than 30 percent of household income makes it difficult to purchase necessities, for example, to save for college or retirement or build a rainy-day fund. It also threatens the region's economic growth, as companies are forced to pay more to attract and retain talent than their competitors in other parts of the country.

There are a number of factors that have combined to drive housing prices higher in Los Angeles. The primary culprit is an insufficient supply of housing. According to the California Department of Housing and Community Development, housing production statewide averaged less than 80,000 new homes each year, below the projected need of 180,000 homes annually.[12] For the Los Angeles-Long Beach-Anaheim Metropolitan Statistical Area (MSA), the number of private housing units authorized for construction has reached 35,000 units only once since 2012, and last year fell to 28,700 units (**Figure 1-8**).

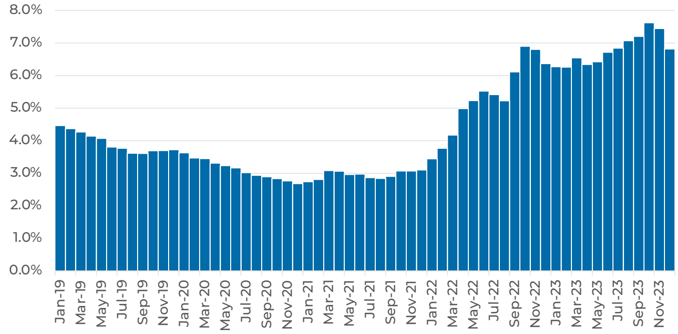
The COVID-19 pandemic also played a role. The work-from-home orders pushed Angelenos to secure more housing away from central business districts in the County, either as second homes or as more spacious primary residences.

Additionally, the Federal Reserve exacerbated the situation through its efforts to rein in inflation. As the Fed raised interest rates to slow the economy, mortgage interest rates rose accordingly. Nationally, a 30-year fixed mortgage rose from a monthly average of 2.7 percent in December 2020 to 7.6 percent by October 2023 (**Figure 1-9**). This rise helped constrain the housing supply on the market, as many would-be sellers with low-interest rates opted to retain those mortgages rather than acquire new, more costly ones.

The Los Angeles region needs to markedly increase the local housing supply to help moderate prices and increase affordability. Its opportunity in facing this challenge is to employ innovative approaches to develop new housing at scale. These range from regulations encouraging faster accessory dwelling unit (ADU) development to financing more adaptive reuse, particularly in underused downtown areas. They also include reducing potential barriers to increased housing development, such as the setting of impact fees; based on a 2015 survey, the average impact fee on a single-family home in California is more than four times that in other states.[13]

FIGURE 1-9

U.S. 30-Year Average Fixed Rate Mortgage



Source: Freddie Mac

12 https://www.hcd.ca.gov/policy-and-research/addressing-variety-housing-challenges
13 https://calmatters.org/housing/2024/01/impact-fees-supreme-court/

Cost of Doing Business

The difficulties people have in opening and operating a business in a region have straightforward implications for economic growth there. Moreover, the Los Angeles region is one of the most expensive places to do business. S&P Global Market Intelligence compared the Los Angeles-Long Beach-Anaheim MSA to 380 other metropolitan areas through its Metro Business Cost Index (BCI) and found that in 2023, Los Angeles had the sixth highest business costs in the country (**Figure 1-10**).

> **Los Angeles's business costs are almost 20 percent higher than the national average.**

Los Angeles's business costs are almost 20 percent higher than the national average. By comparison, the business costs in Austin (ranked 67th with a BCI of 100.1) and Phoenix (ranked 81st with a BCI of 99.3) are essentially at the national average. Las Vegas (ranked 124th with a BCI of 96.4) comes in slightly below.

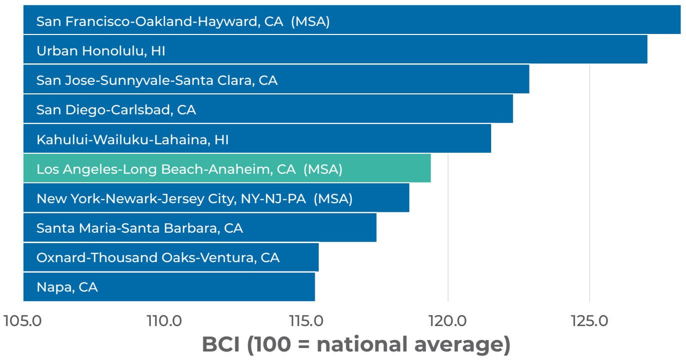
The Business Cost Index is a composite measure that weights regional labor, energy, real estate and tax costs. For the Los Angeles area, labor costs are 13 percent higher than the national average, while energy costs, real estate costs and taxes are 91 percent, 51 percent and 40 percent higher, respectively (**Figure 1-11**).

The biggest component of the BCI is the cost of labor. Over the past five years, the growth in compensation for private employment in Los Angeles County has outstripped that of the United States (**Figure 1-12**). To some extent, this reflects the higher cost of living in the Los Angeles region, addressing factors like the higher cost of housing discussed earlier. Additionally, increasing compensation to help workers better afford to live in an expensive region is not a bad thing in and of itself. At the same time, however, these faster growth rates in private compensation experienced in Los Angeles are being applied to an already higher wage base, so the differential in wages between Los Angeles and other parts of the United States can be expected to grow into the future.

Energy costs represent the most extreme component of the BCI concerning divergence from national averages. Over just the past five years, the average cost

FIGURE 1-10

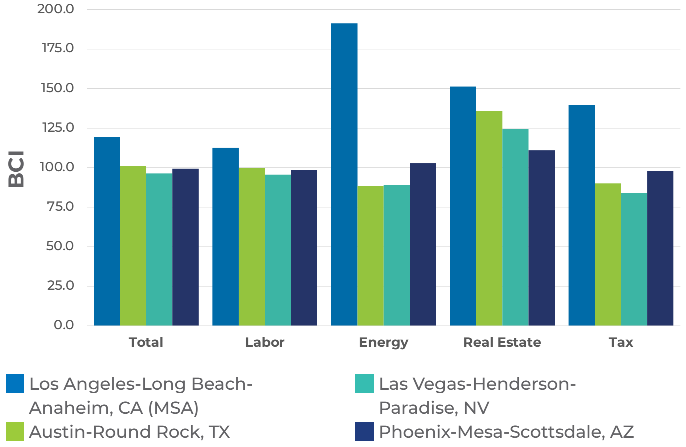
Ten Most Expensive Metros for Business



Source: S&P Global Market Intelligence

FIGURE 1-11

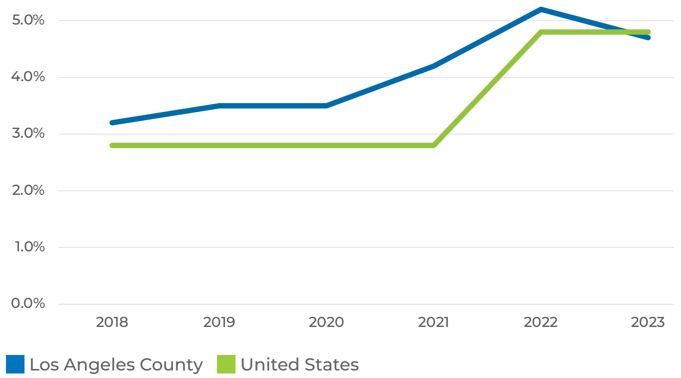
2023 Business Cost Index for Selected Regions



Source: S&P Global Market Intelligence

FIGURE 1-12

Private Employment Compensation Growth



Source: U.S. Bureau of Labor Statistics

By the end of 2023, electricity costs in the Los Angeles area were 70 percent higher than national averages.

of electricity in Los Angeles has increased substantially relative to the United States (**Figure 1-13**). At the beginning of 2019, electricity costs in the Los Angeles area were 36 percent higher than national averages; by the end of 2023, they were 70 percent higher.

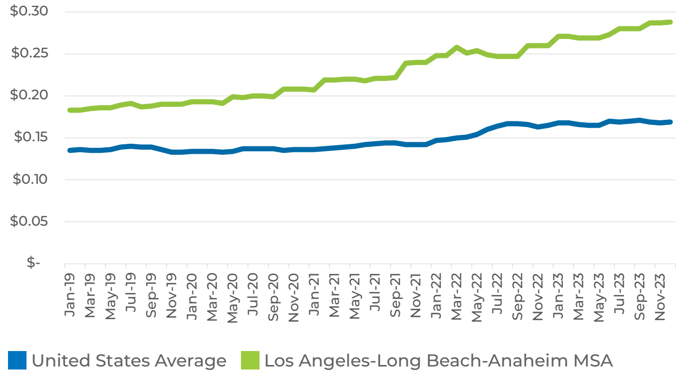
The rapid and substantial rise in energy costs in the Los Angeles basin cannot be attributed solely to regional policies and actions. State policies regarding greenhouse gas reductions, financial losses from massive wildfires across the state, and extended droughts that constrain the amount of hydropower available all play a role.

That said, the high costs for labor, utilities, land, regulations, and taxes lead to businesses leaving the state or closing up shop. Of particular note, rising food and labor costs helped contribute to many restaurant closures in Los Angeles in 2023.[14]

Other businesses that decide to stay then face tradeoffs. They adjust their operations, often turning to technology as a replacement for labor, to find cost-cutting efficiencies and to increase productivity. An example was the impending California minimum wage hike for fast-food workers, leading Pizza Hut franchises to lay off 1,100 delivery drivers.[15]

FIGURE 1-13

Average Price of Electricity per Kilowatt-Hour



Source: S&P Global Market Intelligence

The Los Angeles region has the opportunity to employ solutions that balance the need to reduce costs for businesses while still supporting the needs of workers and other residents. Investments in energy infrastructure, such as California's Hydrogen Hub based in Los Angeles, can reduce utility costs across the region for businesses (and consumers) while also creating good-paying, skilled jobs.

14 Breijo, S. (2023, December 22). The year that killed L.A. restaurants: Here are more than 65 notable closures from 2023. *Los Angeles Times*. https://www.latimes.com/food/story/2023-12-22/2023-la-restaurant-closings-los-angeles

15 Toohey, G. (2023, December 27). California Pizza Hut franchises to lay off more than 1,100 delivery drivers ahead of wage hike. *Los Angeles Times*. https://www.latimes.com/california/story/2023-12-27/california-pizza-hut-franchises-to-lay-off-more-than-1-000-delivery-drivers

2. UNITED STATES FORECAST

The U.S. economy demonstrated remarkable resilience in 2023 in the face of persistent headwinds, namely from the Federal Reserve. The Federal Reserve raised the federal funds rate four times during the year—on top of seven increases in 2022—to a target range of 5.25 percent to 5.50 percent to slow the economy and tamp down inflation. While inflation did moderate, the economy showed few signs of slowing as hiring continued briskly throughout the year.

Major Economic Indicators

Gross Domestic Product (GDP)

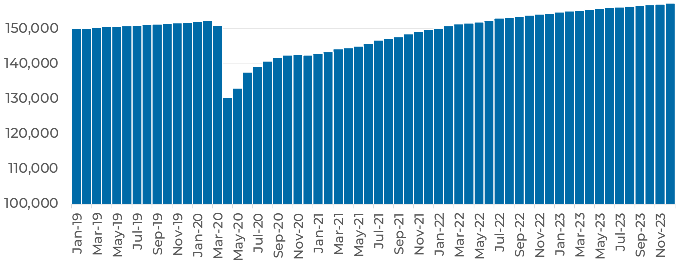
In the United States, real GDP grew at 2.4 percent in 2023. This was stronger growth than in 2022 (1.9 percent) and on par with pre-pandemic levels (2.5 percent in 2019). However, into 2024 and 2025, we expect that the national economy will be unable to maintain this solid performance. Instead, we expect a more muted economic growth period, with real GDP growing at only 1.7 percent this year and 1.4 percent next year.

Employment

The strength of the national economy in 2023 was demonstrated clearly by the growth in the total number of nonfarm payroll employees (**Figure 2-1**). The national economy added more than 3.0 million jobs in 2023 (2.3 percent growth), with an average monthly growth of 255,000. This was slower than the pace of hiring in 2022 (4.3 percent growth) but exceeded the 1.3 percent growth from 2019.

FIGURE 2-1

Total Nonfarm Payroll Employees (in Thousands)



Source: U.S. Bureau of Labor Statistics

We expect employment growth to slow significantly into 2024 and 2025. The number of nonfarm payroll employees is expected to increase by only 0.7 percent this year and then flat-line next year.

Personal Income

On top of the torrid pace of hiring in 2023 came similar growth in real personal income. Real personal income grew 5.2 percent in 2023, roughly 2.5 times that of 2022 and greater than pre-pandemic levels. Much of the increase in personal income was tied to wage growth, necessary to attract and retain workers in the face of high inflation. We expect these wage expectations of workers to drive nearly identical increases in personal income over the next two years.

Unemployment

The unemployment rate held steady in 2023 at 3.6 percent, the same rate as in 2022. It was a slight improvement over the 3.7 percent rate seen in 2019. However, as the pace of hiring declines over the next two years, we anticipate that the unemployment rate will tick upwards to 3.9 percent this year and 4.3 percent next year.

Slowing Economic Growth

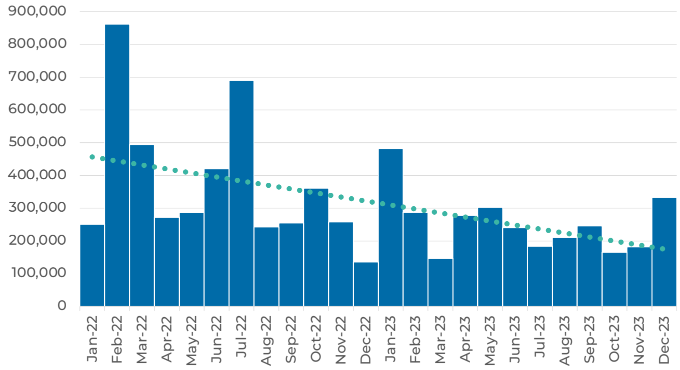
There are several reasons to expect national economic growth to slow over the next two years.

First, the high-interest rates triggered by the Federal Reserve have impacted the economy, although it is not immediately noticeable. This impact can be seen in the monthly change in seasonally adjusted nonfarm payroll employees, which has declined since early 2022 when the Federal Reserve began its rate hikes (**Figure 2-2**). If present trends continue, far fewer jobs will be added monthly over the next two years.

Second, the Federal Reserve will likely keep interest rates elevated for some time, and this will act as a continued drag on the economy by keeping borrowing costs high (e.g., for credit cards, bank loans and home

FIGURE 2-2

Monthly Change in Total Nonfarm Payroll Employees



Source: U.S. Bureau of Labor Statistics

mortgages). Inflation has come down significantly since the Federal Reserve initiated its rate hikes; year-over-year inflation, as measured by the Consumer Price Index (CPI), stood at 3.4 percent in December 2023, off its high of 9.1 percent in June 2022.[16] However, the Federal Reserve has a target inflation rate of around 2.0 percent, so it has not yet met its goal. High rates for longer will be needed for inflation to continue to decline.

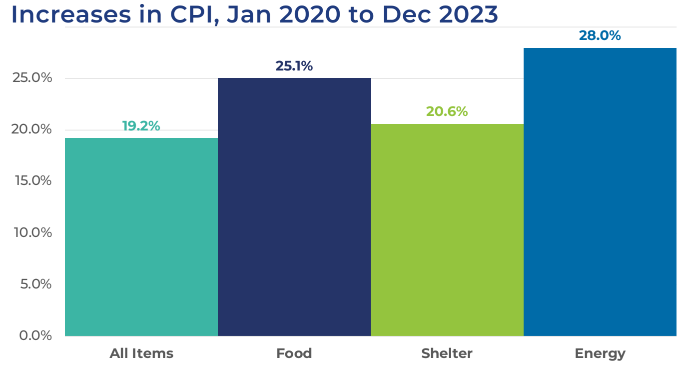
Additionally, the Federal Reserve might be reluctant to lower rates while the economy appears surprisingly strong—note that the U.S. economy added 333,000 jobs in December 2023 and another 353,000 jobs in January 2024. The Federal Reserve likely fears that a resurgence of inflation could occur if it were to take its foot off the brake.

Third, while inflation has moderated, the cumulative impact of nearly two years of high inflation means that we now live in an environment of higher prices. CPI data show that compared to pre-pandemic levels, all goods and services are now more than 19 percent higher (**Figure 2-3**). Food prices specifically are 25.1 percent higher, while shelter and energy prices are 20.6 percent higher and 28.0 percent higher, respectively. Moreover, there is no reason to expect these prices to come down in the foreseeable future.

Fourth, strong consumer spending has been a major factor behind the robust economic performance of late, but the current pace of consumer spending is likely to diminish over the next few years. Consumer spending,

FIGURE 2-3

Increases in CPI, Jan 2020 to Dec 2023

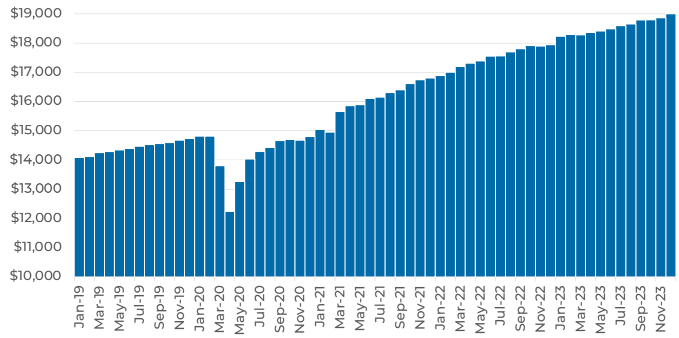


as measured by Personal Consumption Expenditures (PCE), has been growing since the aftermath of the pandemic, fueled by $3.5 trillion in assistance from the federal government to individuals, families and businesses (**Figure 2-4**). In 2021, PCE grew by 13.5 percent, a rapid rebound from the economic doldrums of 2020. Nevertheless, PCE growth has declined, registering 6.8 percent in 2022 and 5.9 percent in 2023. This spending growth is expected to fall further as the pandemic spending exhausts itself.

The limits of consumer spending are also suggested by a drop in the personal saving rate and an increase in credit card balances. The infusion of federal pandemic assistance allowed the personal saving rate to shoot upward in 2020 and 2021, reaching 32.0 percent and 26.1 percent, respectively (**Figure 2-5**). With the exception of a bump in mid-2023, the personal saving rate has since declined; as of December 2023, the rate stood at

FIGURE 2-4

Personal Consumption Expenditures (in Billions)

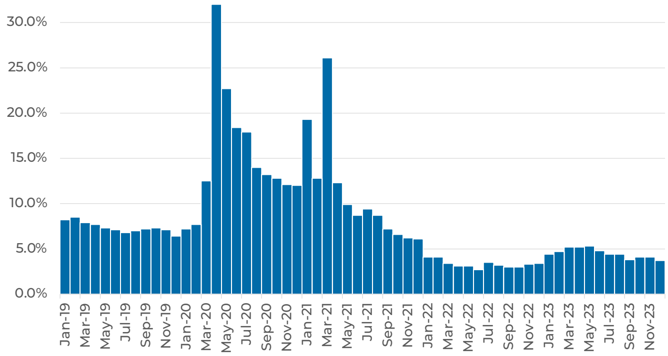


Source: U.S. Bureau of Economic Analysis

16 CPI for all items in U.S. city average, all urban consumers, not seasonally adjusted.

FIGURE 2-5

Personal Saving Rate



Source: U.S. Bureau of Economic Analysis

only 3.7 percent, far below the pre-pandemic level of 6.4 percent seen in December 2019. At the same time, consumers have markedly increased their use of credit cards. The Federal Reserve Bank of New York recently reported that consumers added $143 billion of credit card debt in 2023, bringing total credit card balances to $1.129 trillion. Credit card delinquencies also increased in the fourth quarter of 2023 from 4.0 percent of accounts to 6.3 percent of accounts.[17] These trends resulted from a disappearing pandemic stimulus and inflation making goods and services more expensive. The inevitable conclusion is that consumers now appear to be more financially stretched than just a few years ago.

Soft Landing vs. Recession

Taken together, the signs point to a slowing national economy in 2024 and 2025. Can we say for certain that the Federal Reserve has successfully engineered a “soft landing” of the economy such that we slow growth while avoiding a recession? While we are not expecting a recession in the next two years, at this moment, we cannot rule it out.

The Federal Reserve Bank of New York has developed a model that calculates the likelihood of a recession occurring in the United States in the following twelve months. This model is based on the “term spread,” defined as the difference between 10-year and 3-month Treasury rates at a given point in time. In April 2023, following rate hikes by the Federal Reserve and the failures of Silicon Valley Bank and Signature Bank, the conditions were such that the likelihood of a recession occurring by April 2024 surged to 68.8 percent—odds not seen since 1982. This likelihood dropped in subsequent months to 53.6 percent but has bounced back to its current level of 61.5 percent.

This is not to suggest that the United States is fated to experience a recession in the near future; it is just that at the present moment, there is a greater than 50 percent chance that it does. This likelihood can also be influenced positively and negatively by external factors, such as the war in Ukraine and the ongoing war and conflicts in the Middle East, which reinforces that nothing is certain.

It also does not suggest that any recession must be severe. Assuming no financial or geopolitical surprises, we expect that if the United States does enter a recession this year or next, it would be short and mild.

United States Headline Economic Statistics and Forecast

	2019	2020	2021	2022	2023	2024f	2025f
Real GDP Growth	2.50%	-2.20%	5.80%	1.90%	2.40%	1.70%	1.40%
Real Personal Income Growth	4.70%	6.90%	9.10%	2.00%	5.20%	5.30%	5.10%
Nonfarm Employment (000s)	150,891.4	142,153.2	146,280.9	152,625.2	156,182.2	157,391.1	157,754.9
Unemployment Rate	3.70%	8.10%	5.40%	3.60%	3.60%	3.90%	4.30%
CPI Change	1.80%	1.30%	4.70%	8.00%	4.10%	2.70%	2.00%

17 Center for Microeconomic Data (2024, February). *Quarterly Report on Household Debt and Credit, 2023: Q4*. Federal Reserve Bank of New York, Research and Statistics Group. https://www.newyorkfed.org/medialibrary/interactives/householdcredit/data/pdf/HHDC_2023Q4

3. CALIFORNIA FORECAST

In 2023, California experienced slower economic growth compared to the national average, and projections suggest a further slowdown in GSP growth. While job creation in 2023 was notable, especially in sectors such as health, education, hospitality, and professional & business services, the growth rate is expected to decrease in the upcoming years. Certain industries, including manufacturing, are anticipated to see job declines. Despite the State's unemployment rate having previously returned to pre-pandemic levels, it is now on the rise again.

The State budget is struggling with substantial deficits, primarily attributed to economic slowdown and the volatility and uncertainty of tax revenues, emphasizing the need for budget balancing strategies and proposed solutions. Moreover, California continues to face the challenge of population decline. Factors such as housing affordability, high cost of living, and substantial tax burdens contribute to the exodus of residents. While there has been a slight improvement in the downward trend in the past year, the declining population across most of the populated counties in the state poses economic challenges, emphasizing the need to address key issues such as housing affordability to maintain California as a place of opportunity.

On the other hand, with the Federal Reserve keeping interest rates unchanged recently and signaling potential cuts throughout 2024, there is potential for stimulating the real estate market and fostering economic growth in the other sectors of the State.

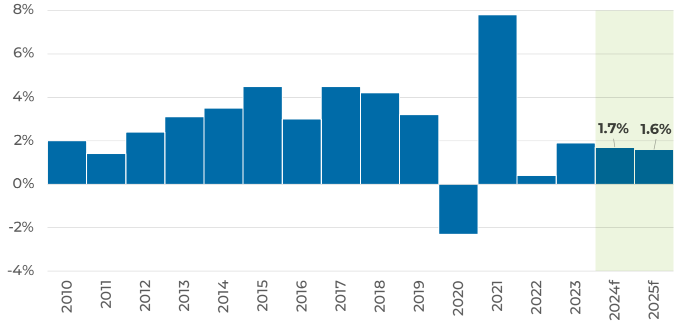
Major Economic Indicators

Gross State Product (GSP)

In 2023, economic growth in California was an estimated 1.9 percent, notably lower than the national rate of 2.4 percent. The GSP growth is anticipated to slow to about 1.7 percent in 2024 and 1.6 percent in 2025

FIGURE 3-1

California Real GSP Growth



Source: CA DOF; LAEDC

(**Figure 3-1**). These projected rates are expected to align more closely with the national growth projection in 2024 and slightly surpass the national average in 2025.

Employment

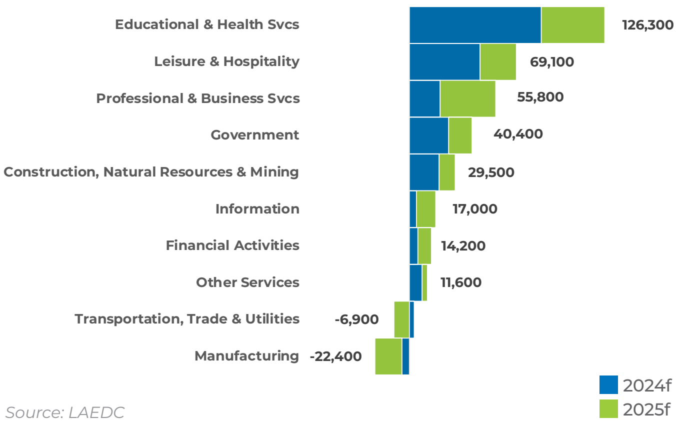
Nonfarm employment added 372,000 wage and salary jobs in 2023, reaching 18 million jobs, a 2.1 percent increase over 2022. During 2023, nearly all major industry sectors in California experienced job growth, with the most significant gains in the private sector in private education & health (155,300 jobs), leisure & hospitality (119,100 jobs), and professional & business services (25,100 jobs). The public sector also contributed to the increase, adding 47,600 jobs. The information sector, however, witnessed substantial job declines, losing 20,300 payroll jobs, a 3.3 percent drop from 2022, likely attributed to the dual Hollywood strikes and the recent layoffs and hiring slowdown in the tech industry. According to companies' comprehensive list of layoff notifications to the San Francisco Office of Economic and Workforce Development[18], San Francisco alone experienced 10,200 permanent job terminations in 2023. Among these, prominent companies such as Salesforce, Gap, and Google were responsible for the largest reductions in San Francisco, each cutting over 600 employees in 2023.[19]

18 Under the Worker Adjustment and Retraining Notification Act, companies that cut more than 50 jobs are required to file a notice with the San Francisco Office of Economic and Workforce Development.

19 Council, S. Jan 22, 2024. A San Francisco agency tracking layoffs reported a stunning total for 2023. SFGATE. https://www.sfgate.com/tech/article/salesforce-gap-layoffs-warn-notice-18617663.php.

FIGURE 3-2

2023 to 2025 CA Employment Growth by Industry



Source: LAEDC

In the coming years, California's job creation rate is expected to slow, with a projected annual growth rate of 1.2 percent in 2024 and a further decrease to 0.7 percent in 2025. This translates to an addition of 211,600 new jobs in 2024 and 123,100 jobs in 2025.

The sectors anticipated to contribute the highest job growth over the next two years include private education & health (adding 126,300 new jobs), leisure & hospitality (69,100 new jobs), and professional & business services (55,800 new jobs) (**Figure 3-2**). The information sector is projected to shift to positive job growth in the next two years, adding approximately 17,000 new jobs over this period. Conversely, after three years of job growth, the manufacturing sector is projected to undergo job declines, resulting in a total loss of 22,400 jobs in 2024 and 2025, dropping below pre-pandemic levels. Additionally, a slight growth of 3,100 jobs is projected for the transportation, trade, and utilities sector in 2024, followed by a decline of 10,000 jobs in 2025, though the overall employment in this sector will still be about 3.2 percent higher compared to pre-pandemic levels.

Personal Income

The growth in personal income for California residents lags significantly behind the national rate, experiencing only a 0.2 percent increase compared to the national average growth rate of 5.2 percent. This gap can be largely attributed to the loss of high-wage jobs in the information and tech industry. Projections indicate a higher personal income growth rate of 1.9 percent in 2024 and 3.0 percent in 2025. Nevertheless, these growth rates remain considerably lower than the projected annual growth rate of over 5 percent for the entire U.S.

Unemployment Rate

In 2022, California's unemployment rate returned to pre-pandemic levels. However, entering 2023, the State's unemployment rate, starting at 4.2 percent, rose to 5.1 percent in December, marking a one percentage point increase from a year ago.

Variations in the unemployment rates across counties were notable, with San Mateo County having the lowest rate at 3.2 percent, while Imperial County recorded the highest at 18.3 percent. Other counties that had relatively lower unemployment rates include San Francisco County (3.5 percent), San Luis Obispo County (3.6 percent), Marin County (3.7 percent), Sonoma County (3.8 percent), Orange County (3.8 percent), and Santa Clara County (3.9 percent). Over the year, all 58 counties saw an increase in unemployment rate, with Imperial County experiencing the largest rise at 3.1 percentage points and Los Angeles County the smallest at 0.6 percentage points.[20]

Broken out by racial and ethnic groups, the unemployment rates in December were 6.4 percent for those identifying as Black, 5.1 percent for Hispanic, 4.0 percent for those reporting as Asian, and 4.6 percent for those identifying as White. Over the year, there was a 0.7 percentage point increase in the unemployment rate for Asians and Hispanics, a 0.3 percentage point increase for those reporting as White, and a 1.0 percentage point decrease for those identifying as Black. While those identifying as Black have the highest unemployment rate among racial and ethnic groups, the disparity between them and the other groups has lessened over the years.[21]

Over the next two years, the annual unemployment rate is anticipated to continue to rise from 4.6 percent in 2023 to 5.0 percent in 2024 and 5.1 percent in 2025. Despite this increase, the unemployment rate remains comparable to pre-pandemic levels and has

20 CA EDD Labor Market Information Division. 2024. California Labor Market Review. https://labormarketinfo.edd.ca.gov/Publications/Labor-Market-Analysis/calmr.pdf.

21 CA EDD Labor Market Information Division. 2024. California Demographic Labor Force. https://labormarketinfo.edd.ca.gov/specialreports/CA_Employment_Summary_Table.pdf.

significantly improved from its peak of 16.1 percent in April 2020 following the onset of the COVID-19 pandemic.

California Budget Issues

Volatility of Tax Revenues

California has been experiencing budget turbulence over the past year, shifting from a historic surplus of nearly $100 billion to a substantial deficit within one year.[22] According to the 2024-25 Governor's proposed budget released on January 10, 2024, California now faces a $37.9 billion deficit, while the Legislative Analyst's Office (LAO) suggests an even higher deficit of $58 billion.[23] One of the major reasons for the State's fiscal challenge can be attributed to its heavy reliance on personal income taxes, particularly those linked to the volatile stock market. Over the years, California's major revenue sources have shifted from retail sales to personal income taxes, with the latter now being the largest contributor, comprising over 55 percent of total General Fund revenues. California's tax structure represents one of the country's most progressive income tax systems. In 2021, close to 50 percent of personal income taxes originated from the top one percent of income earners, highlighting the concentrated tax liability within a small demographic segment.[24]

In recent fiscal years, California experienced unprecedented revenue strength due to capital gains realizations, reaching a record high of $349 billion, or 11.6 percent of personal income, in 2021. However, this also exposes the state tax revenue to the inherent volatility of the stock market. The downturns in the stock market during 2022, marked by a 19 percent decline in the S&P 500 and a 33 percent drop in the NASDAQ Composite indices, signified the most significant annual declines in these key indices since the onset of the 2008 Great Recession. As a result, the 2023 Budget Act forecast anticipated a $240 billion capital gains realization in 2022, or 7.9 percent of personal income, representing a 30 percent decline from the record highs of 2021. However, cash data indicates an even more substantial drop of 57 percent, leading to a projection of around $200 billion lower capital gains realizations through 2025 compared to the 2021 hike. This will turn the share of capital gains realizations of personal income back to 5 percent, roughly the historical average level since 2000 (**Figure 3-3**).[25]

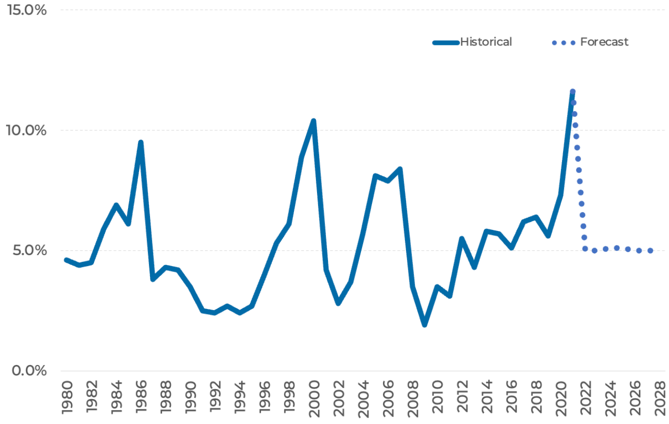
Governor's Plan to Address Budget Deficit

Although the actual size is up for debate, it is clear that California is currently facing a pressing budget deficit challenge for the upcoming fiscal year. Governor Newsom put the estimate at $37.9 billion, while the LAO suggested a potential deficit as high as $58 billion. The disparity arises from the interpretation of baseline changes, particularly a $15 billion reduction in K-12 education and community college spending, which the LAO considers a policy choice rather than a baseline change.[26] To address this, the Governor's budget-balancing strategies include withdrawing $12.2 billion from mandatory and discretionary Budget Stabilization Account balance and the entire Safety Net Reserve balance of $0.9 billion. The spending-related solutions, totaling $26 billion (excluding schools and community colleges), involve 1) reductions of $8 billion, including cuts to state departments' operation budget and reductions to various programs and services, including education, housing, and climate; 2) delays, amounting to $8 billion, to future years, including investment in transit, preschool/TK/K education, and clean energy, which potentially strain future budgets; 3) fund shifts from alternative funds, such as special funds, totaling $6 billion, to offset General Fund costs; and 4) reversions of about $3 billion in unspent funds to the General Fund, including expediting some reversions that would have occurred in later years. In addition, cost shifts

22 Walters, D. Oct 25, 2023. California's budget whiplash showed the pitfalls of forecasting revenue. https://calmatters.org/commentary/2023/10/california-budget-whiplash-pitfalls-forecasting/.
23 Zinshteyn, M. Jan 14, 2024. Inside the $58 billion complicated math of Newsom's California budget. https://www.abc10.com/article/news/local/california/calmatters/california-budget-2024-math-newsom/103-948b0ea6-6992-4c0b-b1a9-066416d38d04.
24 D'Agostino, J. and Kimelman, J. Jun 12, 2023. California's budget whiplash: From a record-setting surplus to a massive shortfall in one year. https://calmatters.org/explainers/california-budget-whiplash/#213c7457-4712-4732-bb2b-6ac38ba7faaf.
25 CA DOF. 2024. Governor's Budget Summary – 2024-25: All Chapters. https://ebudget.ca.gov/2024-25/pdf/BudgetSummary/FullBudgetSummary.pdf.
26 Zinshteyn, M. Jan 14, 2024. Inside the $58 billion complicated math of Newsom's California budget. https://www.abc10.com/article/news/local/california/calmatters/california-budget-2024-math-newsom/103-948b0ea6-6992-4c0b-b1a9-066416d38d04.

FIGURE 3-3

Share of Capital Gains in Total Personal Income (California)



Source: CA DOF

of about $4 billion are proposed, including deferring state employee payroll of $1.6 billion and redirecting a supplemental pension payment of $1.3 billion.[27][28]

Looking beyond FY 2024-25, California will likely face continued budget challenges in the coming years. The California Department of Finance (DOF) and the LAO project recurring deficits of around $30 billion annually through 2027-28.[29] Despite proposed solutions, some strategies may lead to increased future budget pressure and transfer of fiscal risk elsewhere, putting the sustainability of the Governor's budget in question. The proposed budget also suggests delaying spending and introducing new discretionary proposals, requiring future revenues to surpass forecasts by roughly $50 billion annually.[30] Despite the recent improvement in the stock market, the inherent volatility of the stock market, the ongoing geopolitical turmoil, and other risk factors all challenge the assumption of a quick return to revenue growth. On the other hand, if the Federal Reserve cuts interest rates throughout 2024, it could potentially stimulate the real estate market and the growth in other economic sectors in the state.[31]

California Headline Economic Statistics and Forecast

	2019	2020	2021	2022	2023	2024f	2025f
Real GSP Growth	3.2%	-2.3%	7.8%	0.4%	1.9%	1.7%	1.6%
Real Personal Income Growth	4.0%	7.5%	3.6%	-5.5%	0.2%	1.9%	3.0%
Nonfarm Employment (000s)	17,432.4	16,185.5	16,748.0	17,693.6	18,065.5	18,277.1	18,400.2
Unemployment Rate	4.1%	10.1%	7.3%	4.2%	4.6%	5.0%	5.1%
CPI Change	3.0%	1.7%	4.3%	7.4%	4.0%	2.9%	2.2%

27 California State Assembly. Jan 10, 2024. Highlights of Governor's Proposed 2024-2025 Budget. https://abgt.assembly.ca.gov/system/files/2024-01/highlights-of-governors-proposed-2024-25-budget_0.pdf.

28 Legislative Analyst's Office (LAO). Jan 13, 2024. The 2024-25 Budget: Overview of the Governor's Budget. https://lao.ca.gov/reports/2024/4825/2024-25-Overview-Governors-Budget-011324.pdf

29 Zinshteyn, M. Jan 10, 2024. Legislature's analyst gives mixed review of Newsom budget. https://calmatters.org/politics/2024/01/california-budget-lao-review-newsom/.

30 Legislative Analyst's Office (LAO). Jan 13, 2024. The 2024-25 Budget: Overview of the Governor's Budget. https://lao.ca.gov/reports/2024/4825/2024-25-Overview-Governors-Budget-011324.pdf

31 Dickler, J. Jan 31, 2024. Federal Reserve holds interest rates steady, sets the stage for cuts. What that means for your money. https://www.cnbc.com/2024/01/31/what-the-federal-reserves-next-move-means-for-the-rates-you-pay.html.

LOS ANGELES COUNTY FORECAST

Gross County Product (GCP)

Real GCP in Los Angeles County increased by 2.1 percent in 2023, the same growth rate observed in 2022. Also, Los Angeles County's economic growth rate exceeded California's for the second year in a row. However, similar to the U.S. and California forecasts, the County will experience more restrained economic growth over the next two years, with a projected real GCP growth rate of 1.4 percent in 2024 and 1.5 percent in 2025.

Employment

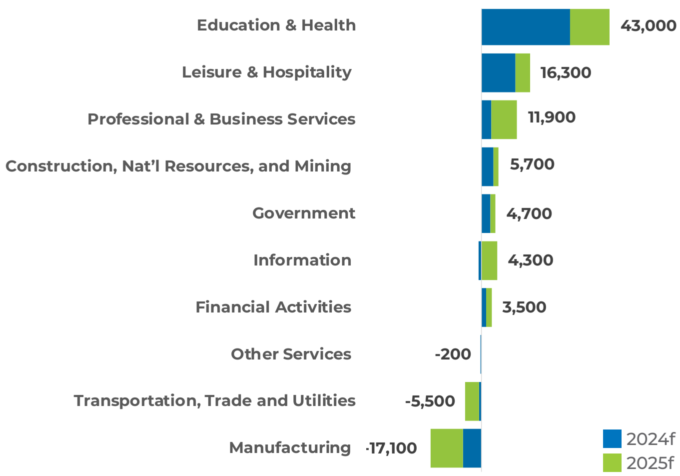
Los Angeles County added 99,300 nonfarm payroll employees in 2023, reaching a total of over 4.6 million jobs, a 2.2 percent increase over 2022. During 2023, most of the major industry sectors in the county experienced job growth, with education & health (54,200 jobs) and leisure & hospitality (36,600 jobs) accounting for over 90 percent of the total growth. By contrast, the information sector saw substantial job declines, losing 18,600 payroll jobs, representing a nearly 8 percent drop from 2022. Other industries that experienced job losses include manufacturing (2,100 jobs), construction, natural resources & mining (1,700 jobs).

In the coming years, the rate of job creation in Los Angeles County is expected to be slow, with a projected annual growth rate of 1.0 percent in 2024 and 0.5 percent in 2025. This translates to an additional 44,700 jobs in 2024 and 21,900 jobs in 2025.

Figure 4-1 shows the sectors expected to contribute the highest job growth over the next two years, namely education & health (43,000 new jobs), leisure & hospitality (16,300 jobs), and professional & business services (11,900 jobs). The information and construction, natural resources & mining sectors will provide positive albeit small job growth, adding 4,300 and 5,700 new jobs, respectively. At the same time, we expect the transportation, trade and utilities sector to lose 5,500 jobs in 2024 and 2025 and the manufacturing industry to lose 17,100 jobs.

FIGURE 4-1

2023 to 2025 LA County Employment Growth by Industry



Source: LAEDC

Personal Income

Following a decline of more than 5 percent in 2022, real personal income in Los Angeles County experienced a modest increase of 1.6 percent in 2023. While this growth rate fell below the more than 5 percent observed at the national level, it surpassed the State's average growth rate of 0.2 percent. As some high-paying industries, such as the information industry, transition from job losses to job growth over the next two years, we expect more robust growth in real personal income into the future. Specifically, we anticipate real personal income to grow by 2.8 percent in 2024 and 3.2 percent in 2025.

Unemployment

The unemployment rate in Los Angeles County increased only slightly between 2022 and 2023, moving from 4.9 percent to 5.1 percent. It should be noted that 2022's unemployment rate did not match the pre-pandemic rate of 4.5 percent. As the employment growth rate declines over the next two years, we expect the unemployment rate to increase accordingly. We foresee the county's unemployment rate to reach 5.4 percent this year and 5.6 percent next year.

Continuing Impact of Hollywood Strikes

Last year's strikes by the Writers Guild of America (WGA) and the Screen Actors Guild–American Federation of Television and Radio Artists (SAG-AFTRA) ended on September 27 and November 9, respectively. However, their significant, adverse impacts on the Los Angeles County economy will continue to be felt in 2024 and beyond.

While Hollywood's film and television production industry spent 2022 recovering from the shutdowns brought on by the pandemic, data from FilmLA demonstrate that the recovery was short-lived. **Figure 4-2** shows that the number of days of local, on-location filming (i.e., shoot days) in Los Angeles County was down in every quarter of 2023 relative to a year earlier.[32] In the first quarter of 2023 alone, shoot days were 24 percent below prior-year levels. By the third quarter, shoot days were down by over 41 percent. For the year, filming activity was off by over 32 percent.[33]

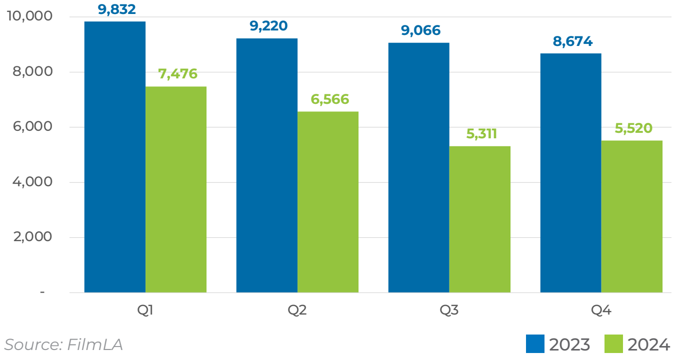
This slowdown in filming translated directly to employment at studios, post-production facilities and related businesses. The impacts were particularly evident in two components of the overall film and television production industry, Motion Picture and Video industries (NAICS 5121) and Sound Recording industries (NAICS 5122), as classified by the U.S. Department of Commerce. Combined, these two industries directly employed an average of 129,500 payroll workers in 2023, representing nearly three percent of the 4.6 million nonfarm payroll workers in Los Angeles County. By December 2023, payroll employment in these industries was down by 15.8 percent.

The year-over-year changes in employment in Motion Picture and Video industries and Sound Recording industries provide perspective on the magnitude of these losses. **Figure 4-3** presents the year-over-year changes in payroll employment back to January 2020, just before the onset of the pandemic. It shows that while the job losses in 2023 do not quite equal what occurred in 2020, they still strongly resemble that difficult period. For example, at the worst point in the pandemic (June 2020), year-over-year job losses totaled 45,000, while at the worst point of the strikes (August 2023), year-over-year job losses totaled 32,400.

Direct employment tells only part of the story, however. Studio production disruptions cascade down the industry's local supply chain, affecting businesses such as post-production facilities, craft services, studio equipment rental houses, prop and costume houses, and marketing firms specializing in the entertainment industry. The reduction of spending across the supply chain represents additional revenue losses in our region that are felt across all other industries.

FIGURE 4-2

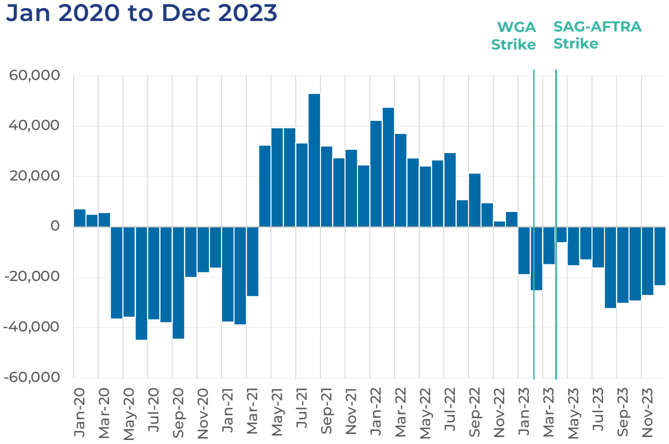
Shoot Days in Los Angeles County, 2022-2023



Source: FilmLA

FIGURE 4-3

Year-Over-Year Changes in Payroll Employment Film and TV Industry in Los Angeles County: Jan 2020 to Dec 2023



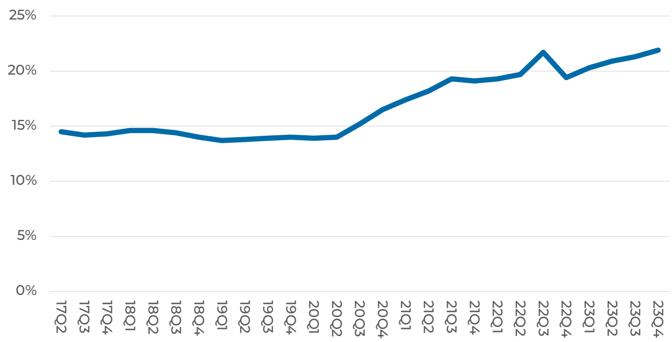
Source: California Employment Development Department

32 https://filmla.com/season-of-strikes-leaves-la-filming-near-lowest-ever-levels/
33 Note that filming did not stop entirely during the strikes. Initially, independent film and TV projects with no ties to the Alliance of Motion Picture and Television Producers (AMPTP) were granted special interim agreements that exempted them from the strikes.

Production disruptions also impact thousands of independent contractors tied to these businesses and who do not appear in official statistics on payroll employees. Anecdotally, we have heard that even with the resumption of filming in late 2023, some post-production contract workers are not expecting to resume work until September 2024. The financial hardships caused by these delays will not only affect household spending in the County, but could also force some workers to exit the industry entirely as their savings become depleted.

FIGURE 4-4

Office Market Vacancy Rates in Los Angeles County, 2017-2023



Sources: RERC, LA Business Journal, and CBRE

Struggling Commercial Real Estate

The COVID-19 pandemic created ongoing challenges for the commercial real estate sector in Los Angeles County, particularly the office market. The office sector is still struggling with heightened vacancy rates resulting from the shift away from central business districts towards remote and hybrid work arrangements. While some large corporations have mandated a return to the office, many others are embracing long-term hybrid schedules as the new norm.

In Q4 2023, the office space vacancy rate in Los Angeles County reached a historic peak of 21.9 percent, about one-and-a-half times the pre-pandemic vacancy level (**Figure 4-4**). The distribution of office vacancies in the County is uneven across the submarkets, with the highest vacancy rate observed in East Downtown, reaching 49.1 percent in Q4 2023, followed by Downtown LA at 28.2 percent, and the South Bay and Hollywood/Wilshire Corridor at over 23 percent.[34]

Additional challenges facing Los Angeles County's office market include a slowdown in leasing activities, high-interest rates, and devaluation of office assets. Concerning leasing activities, in the last quarter of 2023, lower tenant demand caused leasing activity in Los Angeles to reach its lowest point since Q2 2021, with 910 deals totaling 2.9 million sq. ft. leased. This marks a 12.3 percent decrease compared to the previous quarter and a 20.3 percent drop from the beginning of the year. Net absorption, measuring the difference between the total leased space and vacated space during a given period, remained negative for the sixth consecutive quarter, reaching over -1.6 million sq. ft. However, one positive sign in the last quarter of 2023 was the increased number of sublet deals, rising by 23.1 percent compared to the previous quarter.[35]

Fewer tenants and high-interest rates have the potential to cause the devaluation of office assets in the near term. Between 2024 and 2027, more than $10 billion of Commercial Mortgage-Backed Securities (CMBS) debt is set to mature. This impending maturity is likely to lead to a surge of investment activity in the Los Angeles office market as landlords weigh their strategic options on refinancing their existing debt versus opting for asset sales.[36]

A bright spot in the sector comes with the increasing promise of adaptive reuse. Adaptive reuse, where commercial buildings are converted into residential properties, has gained considerable attention from policymakers and stakeholders in California as a means to address the housing demand and the need to repurpose underutilized office and commercial spaces. California has implemented regulatory measures to simplify the conversion of underused commercial buildings into residential units and has introduced

34 CBRE. 2023. Greater Los Angeles Office Figures Q4 2023. https://www.cbre.com/insights/viewpoints/greater-los-angeles-office-figures-q4-2023.
35 Avison Young. 2023. Los Angeles Office Market Report Q4 2023. Retrieved from: https://www.avisonyoung.us/web/los-angeles/office-market-report.
36 Ibid.

financial assistance for affordable housing conversions. A RAND study conducted in 2022 suggests that if all identified underutilized properties were converted into housing, they could contribute to meeting approximately 9 percent to 14 percent of the total housing requirements in Los Angeles County over the next eight years. Areas with substantial underutilized office capacities, such as East Downtown, Downtown LA, Hollywood, Beverly Hills, and the Wilshire Corridor, could be target areas for adaptive reuse.[37]

Los Angeles County Headline Economic Statistics and Forecast

	2019	2020	2021	2022	2023	2024f	2025f
Real GCP Growth	3.6%	-5.0%	6.2%	2.1%	2.1%	1.4%	1.5%
Real Personal Income Growth	4.5%	3.1%	2.6%	-5.2%	1.6%	2.8%	3.2%
Nonfarm Employment (000s)	4,561.4	4,167.0	4,304.1	4,541.8	4,637.9	4,682.6	4,704.8
Unemployment Rate	4.5%	12.3%	8.9%	4.9%	5.1%	5.4%	5.6%
CPI Change	3.1%	1.6%	3.8%	7.3%	3.5%	2.5%	2.3%

37 Ward, J. 2022. How Can Commercial Buildings Become Needed Housing? Retrieved from: https://www.rand.org/pubs/research_reports/RRA1333-1.html.

APPENDIX

LAEDC

UNITED STATES

Quick Facts	
Population	333.3 million
% Prime Age (25-54)	38.9%
Gross Domestic Product	$21.7 trillion
Median Household Income *	$74,755
Median Home Price to Household Income Ratio*	5.6
Poverty Rate*	12.6%
Unemployment Rate	3.6%

*2022 Estimate
Sources: US Census ACS, CA DoF, IHS, FHFA, BLS

Economic Metrics	2019	2020	2021	2022	2023	2024f*	2025f*
Real GDP Growth	2.5%	-2.2%	5.8%	1.9%	2.4%	1.7%	1.4%
Real Personal Income Growth	4.7%	6.9%	9.1%	2.0%	5.2%	5.3%	5.1%
Nonfarm Employment Growth	1.3%	-5.8%	2.9%	4.3%	2.3%	0.7%	0.0%
Unemployment Rate	3.7%	8.1%	5.4%	3.6%	3.6%	3.9%	4.3%
CPI Change	1.8%	1.3%	4.7%	8.0%	4.1%	2.7%	2.0%
Employment Growth By Sector							
Construction, Nat'l Resources, and Mining	8,220,000	7,857,000	7,996,000	8,353,000	8,606,000	8,754,000	8,859,100
Manufacturing	12,817,000	12,167,000	12,354,000	12,825,000	12,979,000	13,011,000	12,804,800
Transportation, Trade and Utilities	27,662,000	26,624,000	27,653,000	28,643,000	28,861,000	28,912,900	28,862,500
Information	2,864,000	2,721,000	2,856,000	3,074,000	3,064,000	3,086,600	3,160,800
Financial Activities	21,334,000	20,376,000	21,386,000	22,572,000	22,944,000	23,227,600	23,641,500
Professional & Business Services	24,163,000	23,275,000	23,652,000	24,350,000	25,385,000	26,085,000	26,469,300
Education & Health	16,586,000	13,148,000	14,151,000	15,835,000	16,586,000	16,853,900	17,054,700
Leisure & Hospitality	5,891,000	5,329,000	5,457,000	5,708,000	5,862,000	5,925,700	5,981,800
Other Services	22,613,000	21,986,000	21,973,000	22,171,000	22,723,000	22,963,100	23,114,300
Government	8,754,000	8,704,000	8,806,000	9,045,000	9,132,000	9,264,000	9,425,300
Housing							
Housing Permits	1,737,200	1,921,500	2,217,600	1,940,300	1,766,400	1,475,200	1,409,800
Median Home Values*	$309,100	$331,800	$367,000	$471,500	$426,500	$445,900	$461,100

* Selling price

* Forcasted

CALIFORNIA

Quick Facts	
Population	39.0 million
% Prime Age (25-54)	41.0%
Gross State Product	$3.2 trillion
Median Household Income *	$91,551
Median Home Price to Household Income Ratio*	8
Poverty Rate*	12.2%
Unemployment Rate	4.2%

*2022 Estimate
Sources: US Census ACS, CA DoF, IHS, FHFA, BLS

Economic Metrics	2019	2020	2021	2022	2023	2024f*	2025f*
Real GSP Growth	3.2%	-2.3%	7.8%	0.4%	1.9%	1.7%	1.6%
Real Personal Income Growth	4.0%	7.5%	3.6%	-5.5%	0.2%	1.9%	3.0%
Nonfarm Employment Growth	1.5%	-7.2%	3.5%	5.6%	2.2%	0.7%	0.2%
Unemployment Rate	4.1%	10.1%	7.3%	4.2%	4.6%	5.0%	5.1%
CPI Change	3.0%	1.7%	4.3%	7.4%	4.0%	2.9%	2.2%
Employment Growth By Sector							
Construction, Nat'l Resources, and Mining	909,300	878,800	902,600	931,400	946,000	965,200	975,500
Manufacturing	1,329,400	1,268,500	1,283,800	1,336,000	1,338,900	1,334,000	1,316,500
Transportation, Trade and Utilities	3,041,700	2,893,300	3,026,900	3,133,400	3,145,600	3,148,700	3,138,700
Information	562,600	534,100	563,400	606,900	586,600	591,100	603,600
Financial Activities	841,900	818,800	829,300	844,500	846,900	852,300	861,100
Professional & Business Services	2,728,000	2,606,400	2,714,900	2,871,100	2,896,200	2,916,100	2,952,000
Education & Health	2,807,300	2,738,700	2,816,700	2,937,100	3,092,400	3,177,600	3,218,700
Leisure & Hospitality	2,033,600	1,485,500	1,640,500	1,930,000	2,049,100	2,094,800	2,118,200
Other Services	576,700	478,100	506,300	563,100	585,700	593,900	597,300
Government	2,597,200	2,491,100	2,469,400	2,530,500	2,578,100	2,603,500	2,618,500
Housing							
Housing Permits	121,200	116,100	135,100	131,000	116,300	115,400	113,900
Median Home Price*	$565,100	$607,800	$721,600	$800,200	$807,200	$838,600	$904,900

* Selling price

* Forcasted

LOS ANGELES COUNTY

Quick Facts	
Population	9.7 million
% Prime Age (25-54)	42.9%
Gross County Product	$790.0 billion
Median Household Income*	$82,516
Median Home Price to Household Income Ratio*	11.1
Poverty Rate*	13.9%
Unemployment Rate	4.9%

*2022 Estimate
Sources: US Census ACS, CA DoF, IHS, FHFA, BLS

Economic Metrics	2019	2020	2021	2022	2023f*	2024f*	2025f*
Real GCP Growth	3.6%	-5.0%	6.2%	2.1%	2.1%	1.4%	1.5%
Real Personal Income Growth	4.5%	3.1%	2.6%	-5.2%	1.6%	2.8%	3.2%
Nonfarm Employment Growth	1.0%	-8.6%	3.3%	5.4%	2.2%	1.0%	0.5%
Unemployment Rate	4.5%	12.3%	8.9%	4.9%	5.1%	5.4%	5.6%
CPI Change	3.1%	1.6%	3.8%	7.3%	3.5%	2.5%	2.3%
Employment Growth By Sector							
Construction, Nat'l Resources, and Mining	151,800	148,300	150,700	152,600	150,900	154,900	156,600
Manufacturing	341,200	315,400	313,100	321,800	319,700	313,500	302,600
Transportation, Trade and Utilities	848,600	784,600	814,000	837,400	846,900	846,100	841,400
Information	215,600	191,100	208,800	235,200	216,600	215,600	220,900
Financial Activities	224,300	213,200	213,200	215,900	217,200	218,800	220,700
Professional & Business Services	647,600	600,200	630,100	668,900	678,400	681,700	690,300
Education & Health	840,100	821,700	844,400	873,600	927,800	957,500	970,800
Leisure & Hospitality	547,300	393,700	434,200	511,300	547,900	559,300	564,200
Other Services	158,400	128,800	135,700	153,500	158,200	157,900	158,000
Government	586,900	570,200	560,200	568,500	574,400	577,400	579,100
Housing							
Housing Permits	14,000	14,900	16,800	18,500	20,000	20,733	20,518
Median Home Price*	$773,200	$905,500	$937,700	$913,000	$1,044,200	$1,139,536	$1,206,746

* Selling price

* Forcasted

ORANGE COUNTY

Quick Facts	
Population	3.2 million
% Prime Age (25-54)	40.5%
Gross County Product	$270.4 billion
Median Household Income*	$106,209
Median Home Price to Household Income Ratio*	10.4
Poverty Rate*	9.9%
Unemployment Rate	3.2%

*2022 Estimate
Sources: US Census ACS, CA DoF, IHS, FHFA, BLS

Economic Metrics	2019	2020	2021	2022	2023f*	2024f*	2025f*
Real GCP Growth	2.7%	-2.1%	6.2%	0.9%	2.4%	1.4%	1.4%
Real Personal Income Growth	4.1%	4.5%	2.7%	-3.3%	0.4%	2.7%	2.8%
Nonfarm Employment Growth	1.3%	-8.5%	3.6%	5.3%	2.5%	1.1%	0.7%
Unemployment Rate	2.8%	8.9%	6.0%	3.2%	3.6%	3.2%	3.1%
CPI Change	3.1%	1.6%	3.8%	7.4%	3.6%	2.9%	2.6%
Employment Growth By Sector							
Construction, Nat'l Resources, and Mining	106,600	101,700	102,500	106,500	109,000	111,500	112,800
Manufacturing	160,100	150,100	149,800	155,400	156,600	154,500	150,900
Transportation, Trade and Utilities	259,500	242,100	250,100	256,700	263,000	262,200	258,900
Information	26,000	24,100	24,000	24,800	25,200	25,200	25,700
Financial Activities	117,600	115,900	117,100	114,100	112,500	113,200	115,700
Professional & Business Services	328,400	309,200	321,700	332,500	338,500	342,500	347,400
Education & Health	233,100	225,800	237,300	249,500	260,200	267,900	272,600
Leisure & Hospitality	227,700	161,800	180,400	217,700	230,000	235,500	238,700
Other Services	52,000	44,100	47,500	52,700	54,300	55,000	55,200
Government	162,500	156,100	155,700	160,200	163,200	164,700	165,600
Housing							
Housing Permits	7,200	6,200	7,300	6,200	5,200	4,800	4,800
Median Home Price*	$863,500	$929,500	$970,500	$1,108,100	$1,265,500	$1,380,000	$1,461,400

* Selling price

* Forcasted

LAEDC

RIVERSIDE COUNTY

Quick Facts	
Population	2.5 million
% Prime Age (25-54)	39.5%
Gross County Product	$95.2 billion
Median Household Income*	$86,748
Median Home Price to Household Income Ratio*	7.2
Poverty Rate*	10.7%
Unemployment Rate	4.2%

**2022 Estimate*
Sources: US Census ACS, CA DoF, IHS, FHFA, BLS

Economic Metrics	2019	2020	2021	2022	2023f*	2024f*	2025f*
Real GCP Growth	3.6%	-1.9%	6.2%	0.8%	1.5%	2.0%	2.0%
Real Personal Income Growth	5.7%	12.8%	2.7%	-6.9%	-0.2%	2.5%	3.3%
Nonfarm Employment Growth	2.4%	-4.2%	6.5%	5.1%	1.3%	2.2%	1.6%
Unemployment Rate	4.2%	10.1%	7.3%	4.2%	4.6%	4.6%	4.5%
CPI Change	3.0%	1.8%	4.8%	8.3%	4.2%	3.1%	2.6%
Employment Growth By Sector							
Construction, Nat'l Resources, and Mining	68,600	67,200	71,300	74,800	77,200	80,500	81,800
Manufacturing	45,200	43,000	43,700	45,000	44,100	44,000	43,400
Transportation, Trade and Utilities	169,600	173,200	188,100	197,700	194,800	196,800	198,800
Information	6,500	5,300	5,300	5,200	5,100	5,100	5,200
Financial Activities	21,600	20,900	21,400	22,500	22,100	22,200	22,700
Professional & Business Services	73,700	71,500	77,200	79,800	81,200	82,500	84,000
Education & Health	115,300	119,600	124,600	130,800	136,900	142,200	145,900
Leisure & Hospitality	97,800	77,600	88,600	100,300	100,400	103,000	105,700
Other Services	23,300	19,900	21,800	23,800	24,700	25,000	25,300
Government	132,100	124,000	127,200	128,700	133,000	135,900	137,700
Housing							
Housing Permits	13,900	17,500	15,800	16,700	15,800	15,313	15,154
Median Home Price*	$437,200	$468,800	$555,400	$620,700	$622,200	$635,054	$672,509

** Selling price*

** Forcasted*

SAN BERNARDINO

Quick Facts	
Population	2.2 million
% Prime Age (25-54)	40.8%
Gross County Product	$83.0 billion
Median Household Income*	$74,846
Median Home Price to Household Income Ratio*	6.5
Poverty Rate*	13.4%
Unemployment Rate	4.1%

*2022 Estimate
Sources: US Census ACS, CA DoF, IHS, FHFA, BLS

Economic Metrics	2019	2020	2021	2022	2023f*	2024f*	2025f*
Real GCP Growth	4.8%	-0.4%	6.0%	1.3%	1.4%	1.7%	1.8%
Real Personal Income Growth	5.7%	12.8%	2.7%	-6.9%	-0.2%	2.5%	3.3%
Nonfarm Employment Growth	3.6%	-3.2%	4.2%	5.7%	1.0%	1.9%	1.4%
Unemployment Rate	3.9%	9.6%	7.4%	4.1%	4.6%	4.8%	4.8%
CPI Change	3.0%	1.8%	4.8%	8.3%	4.2%	3.1%	2.6%
Employment Growth By Sector							
Construction, Nat'l Resources, and Mining	39,700	39,000	40,200	42,000	43,300	45,000	45,500
Manufacturing	55,400	52,200	52,500	54,600	53,500	53,400	52,600
Transportation, Trade and Utilities	224,800	233,700	255,100	266,800	262,900	265,800	268,500
Information	5,000	4,100	4,400	5,100	5,000	5,000	5,100
Financial Activities	23,400	23,100	23,700	24,400	24,000	24,000	24,600
Professional & Business Services	85,000	83,900	92,100	99,300	101,100	102,600	104,500
Education & Health	135,000	129,100	129,700	135,600	141,900	146,900	150,200
Leisure & Hospitality	78,100	63,700	71,600	79,300	79,400	81,300	83,300
Other Services	22,900	20,300	21,800	24,100	25,000	25,300	25,600
Government	129,100	124,000	114,800	120,700	124,800	127,600	129,500
Housing							
Housing Permits	8,500	8,300	8,800	8,600	7,800	7,407	7,330
Median Home Price*	$362,200	$407,000	$476,500	$516,500	$513,500	$521,996	$552,784

* Selling price

* Forcasted

VENTURA COUNTY

Quick Facts	
Population	832.6 k
% Prime Age (25-54)	38.7%
Gross County Product	$52.7 billion
Median Household Income*	$102,569
Median Home Price to Household Income Ratio*	8.7
Poverty Rate*	9.4%
Unemployment Rate	3.7%

*2022 Estimate
Sources: US Census ACS, CA DoF, IHS, FHFA, BLS

Economic Metrics	2019	2020	2021	2022	2023f*	2024f*	2025f*
Real GCP Growth	1.7%	-1.0%	3.4%	-0.4%	0.5%	2.1%	2.4%
Real Personal Income Growth	8.0%	10.1%	12.8%	9.2%	0.3%	2.0%	2.7%
Nonfarm Employment Growth	1.2%	-7.0%	3.0%	4.2%	2.1%	1.2%	0.5%
Unemployment Rate	3.6%	8.7%	6.2%	3.7%	4.3%	4.6%	4.8%
CPI Change	4.8%	8.2%	4.3%	-7.0%	6.6%	5.3%	4.7%
Employment Growth By Sector							
Construction, Nat'l Resources, and Mining	18,000	17,700	18,000	18,700	18,900	19,200	19,500
Manufacturing	26,600	25,800	26,500	27,200	27,200	27,300	26,800
Transportation, Trade and Utilities	57,100	53,000	55,700	57,500	57,600	57,200	56,700
Information	5,200	4,000	3,900	4,000	3,900	3,900	4,000
Financial Activities	15,900	15,700	15,600	15,200	15,600	15,700	15,700
Professional & Business Services	44,400	42,600	43,600	44,400	43,800	44,000	44,900
Education & Health	49,600	48,300	49,600	51,800	54,400	56,500	57,100
Leisure & Hospitality	38,500	30,200	32,800	37,100	39,400	40,400	40,800
Other Services	9,700	8,300	8,900	9,600	10,000	10,000	10,000
Government	47,100	44,700	44,500	46,100	47,400	47,900	48,200
Housing							
Housing Permits	1,300	1,000	1,300	1,000	600	478	473
Median Home Price*	$719,400	$809,600	$867,100	$895,400	$1,013,000	$1,099,225	$1,164,058

* Selling price

* Forcasted

2024 ECONOMIC FORECAST

LOS ANGELES COUNTY ECONOMIC DEVELOPMENT CORPORATION

Collectively Advancing Opportunity and Prosperity for All

633 West 5th Street, Suite 3300
Los Angeles, CA 90071
www.laedc.org